



ARIZONA STATE SENATE
Fifty-Sixth Legislature, First Regular Session

VETOED

AMENDED

FACT SHEET FOR S.B. 1162

home-based businesses; restrictions; prohibition

Purpose

Requires a municipality or county to allow a home-based business as a use by right if certain conditions are met. Outlines purposes for which a municipality or a county may establish regulations on a home-based business.

Background

Current statute prohibits any county ordinance from restricting or otherwise regulating the owner of a home-based business that holds a valid license from: 1) making residential property improvements to add doors, shelving or display racks for use by the home-based business; 2) displaying a temporary commercial sign on the residential property during business hours, if the sign is not more than 24 inches by 24 inches; 3) selling or offering for sale any goods; 4) generating traffic, parking or delivery activity that does not cause on-street parking congestion or a substantial increase in traffic through the residential area; 5) having more than one client on the property at a time; and 6) employing residents of the primary dwelling, immediate family members or one or two individuals who are not residents of the primary dwelling or immediate family members. A county is not precluded from imposing reasonable operating requirements on a home-based business or a residential property used by a home-based business. A *home-based business* is any business for the limited manufacture, provision or sale of goods or services that is owned and operated by the owner or tenant of the residential property ([A.R.S. § 11-820](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Requires a home-based business to be allowed as a use by right if the home-based business does not supersede any deed restriction, covenant or agreement restricting the use of land, a master deed or other document applicable to a common interest owner.
2. Precludes a municipality or county from prohibiting a no-impact home-based business or requiring a person to apply for, register or obtain a permit, license, variance or other type of prior approval to operate a no-impact home-based business.

3. Allows a municipality or county to establish regulations on a home-based business if the regulations are tailored for the following purposes:
 - a) protecting the public health and safety, including existing municipal or county regulations related to fire and building codes, health, sanitation, transportation or traffic control and solid or hazardous waste, pollution and noise control;
 - b) limiting or prohibiting the use of a home-based business for the purposes of maintaining a structured sober living home, selling illegal drugs or liquor, pornography, obscenity, nude or topless dancing or other adult-oriented businesses; and
 - c) ensuring that the business activity is:
 - i. compatible with residential use of the property and the surrounding residential area;
 - ii. secondary to the use of the property as a residential dwelling; and
 - iii. complying with state and federal law and applicable taxes.
4. Prohibits a municipality or county from requiring, as a condition of operating a home-based business, a person to:
 - a) apply for rezoning of the property for commercial use;
 - b) obtain a home-based business license or other general business license; or
 - c) install or equip fire sprinklers in a single-family detached residential dwelling or any residential dwelling with not more than two dwelling units.
5. Deems a question about whether an adopted municipal or county regulation complies with the home-based business restrictions as a judicial question.
6. Requires the municipality or county that enacted the regulation to establish by clear and convincing evidence that the regulation complies with the home-based business restrictions.
7. Redefines *home-based business* as any business for the manufacture, provision or sale of goods or services, rather than the limited manufacture, provision or sale of goods or services, that is owned and operated by the owner or tenant of the residential property.
8. Defines *no-impact home-based business* as:
 - a) business activities that are limited to the sale of lawful goods or services;
 - b) a business that employs only the following:
 - i. residents of the primary dwelling;
 - ii. immediate family members of residents of the primary dwelling; and
 - iii. not more than three individuals who are not residents of the primary dwelling; and
 - c) business activities that:
 - i. do not generate odor, noise, on-street parking or substantial increase in traffic in the residential area;
 - ii. occur inside the residential dwelling;
 - iii. are not visible from the street; and
 - iv. do not violate any municipal or county regulation on home-based business.
9. Eliminates the current restrictions on a county for regulating the owner of a home-based business that holds a valid license.

10. Defines terms.

11. Makes conforming changes.

12. Becomes effective on the general effective date.

Amendments Adopted by Committee of the Whole

- Adds, to the definition of *no-impact home-based business*, a business activity that does not generate odor or noise.

Governor's Veto Message

The Governor indicates in her [veto message](#) that S.B. 1162 does not balance the needs of small businesses and neighborhoods and creates challenges for public safety and code enforcement in neighborhoods.

Senate Action

COM 2/8/23 DP 4-2-1
3rd Read 2/22/23 16-13-1

House Action

RA 3/15/23 DP 5-2-0-0
3rd Read 3/28/23 31-27-2

Vetoed by the Governor 4/4/23

Prepared by Senate Research

April 5, 2023

JT/FB/sr